

WORKING WITH DISABILITY: EARNINGS IN BRIEF

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Do Participants Increase Their Earnings After Enrolling in the Medicaid Buy-In Program?

By Su Liu and Bob Weathers

The Medicaid Buy-In program is a key component of the federal effort to make it easier for people with disabilities to work without losing health benefits. Authorized by the Balanced Budget Act of 1997 (BBA) and the Ticket to Work and Work Incentives Improvement Act of 1999 (TWWIA), the Buy-In program allows states to expand Medicaid coverage to workers with disabilities whose income and assets would ordinarily make them ineligible for Medicaid. To be eligible for the Buy-In program, an individual must have a disability (as defined by the Social Security Administration) and earned income, and must meet other financial eligibility requirements established by states. States have the flexibility to customize their Buy-In programs to their unique needs, resources, and objectives. As of December 31, 2006, 33 states reported covering 80,871 individuals in the Medicaid Buy-In program.

This issue brief, the fourth in a series on workers with disabilities, compares annual earnings among first-time Buy-In participants before and after their initial enrollment in the program.

Approximately 40 percent of new Medicaid Buy-In participants increased their earnings, with adjustments for inflation, after they enrolled in the program. The median inflation-adjusted increase in their earnings was \$2,582.¹ However, the data also show substantial differences in the rate of earnings growth based upon participant characteristics and across states.

The study population consists of 92,407 new Medicaid Buy-In participants who first enrolled in the program between 2000 and 2003. Earnings are based upon employment subject to Federal Insurance Contributions Act (FICA) tax.² For each participant, we examined short-term changes in earnings by identifying the first year of Buy-In enrollment and comparing annual earnings from the following year with earnings in the year before enrollment. For example, earnings from 2002 and 2004 were compared if a participant was first enrolled in the Buy-In program during 2003. To adjust for inflation, annual earnings from previous years were adjusted to 2004 dollars using the Consumer Price Index.³

What Are the Characteristics of Participants Whose Earnings Increased?

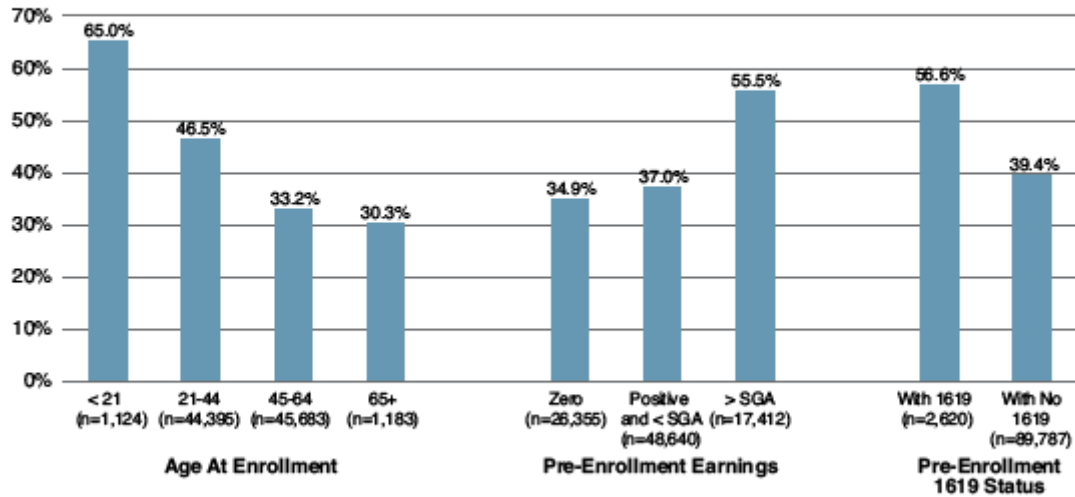
Studies of programs designed to improve employment for people with disabilities consistently find that younger people are more likely to participate in these programs and are more likely to work (Newcomb et al. 2003). The experience in the Medicaid Buy-In program is similar: younger participants are more likely to increase their earnings after enrolling in the program. Figure 1 shows that 65 percent of participants under age 21 increased their earnings, and that the percentage steadily declines to 46.5 percent for those ages 21 to 44, 33.2 percent for those ages 45 to 64, and 30.3 percent for those ages 65 and older. A previous issue brief showed that younger Buy-In participants are also more likely to be among the top earners (Gimm et al. 2007). Together, the findings indicate that younger Buy-In participants tend to be more successful in the labor market than older participants.

Pre-enrollment earnings may also be related to earnings increases among Buy-In participants. The Social Security Administration uses an earnings level, referred to as substantial gainful activity (SGA), as one of the eligibility criteria for its disability programs.⁴ The risk of losing disability benefits when earnings exceed SGA may be a financial disincentive for some participants to earn above the SGA level. We found that 35 percent of new participants with no pre-enrollment annual earnings and 37 percent of those with earnings below the annualized SGA level increased their earnings; 55 percent of those with earnings above the annualized SGA level had higher earnings in the year after enrollment (Figure 1).

This finding suggests Buy-In participants with low earnings may be constrained from working or improving their earning potential by factors other than a lack of health insurance (e.g., the risk of losing disability cash benefits). On the other hand, participants who have made the commitment to competitive employment and who already earn above the SGA level before Buy-In enrollment are likely to further increase their earnings afterwards.

Participation in the Supplemental Security Income (SSI) 1619(a) or 1619(b) programs prior to enrollment is also related to increases in earnings. These programs are designed to promote work and thereby reduce dependency on SSI benefits (SSA Redbook 2006). Those who participate in these programs have made a decision to return to work and have already begun to increase their earnings. Figure 1 shows that 56.6 percent of them increased their earnings after enrolling in the Buy-In program, compared with 39.4 percent of participants with no experience in the 1619 programs. This finding suggests that the Buy-In program may have helped these individuals take the next step toward independence by providing affordable Medicaid coverage regardless of their receipt of SSI benefits.

Figure 1. Percent of Buy-In Participants Who Enrolled in 2000–03 and Increased Earnings After Enrollment, by Selected Characteristics

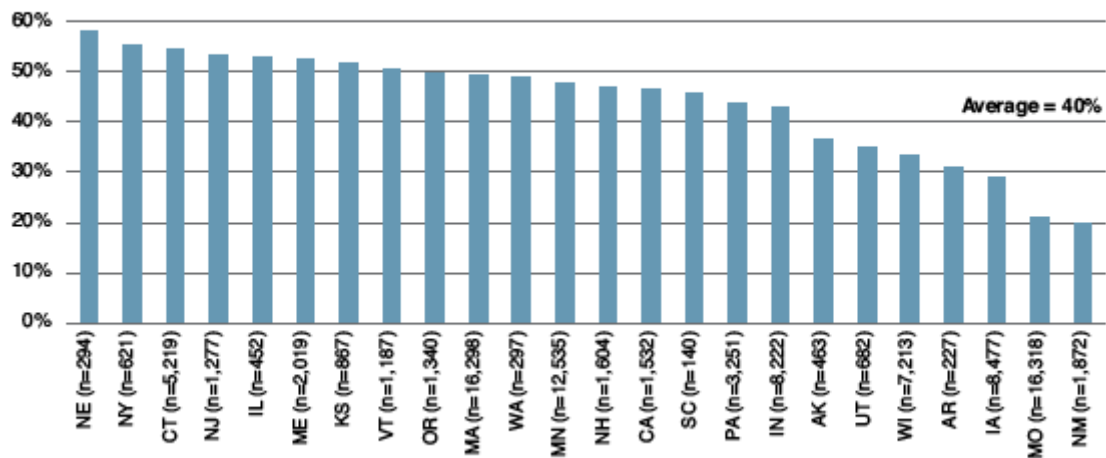


Source: Buy-In enrollment data from 24 states linked with calendar-year earnings data from SSA's Master Earnings File.

How Do Increased Earnings Differ Across State Buy-In Programs?

The share of people with increased earnings differs substantially across states, from 58 percent in Nebraska to 20 percent in New Mexico (Figure 2). These differences may in part be the result of factors such as state labor markets and policy environments. However, they may also be due to state-specific program features, which affect the characteristics of participants.

Figure 2. Percent of Buy-In Participants Who Enrolled in 2000–03 and Increased Earnings After Enrollment, by State



Source: Buy-In enrollment information from 24 states linked with calendar-year earnings data from SSA's Master Earnings File.

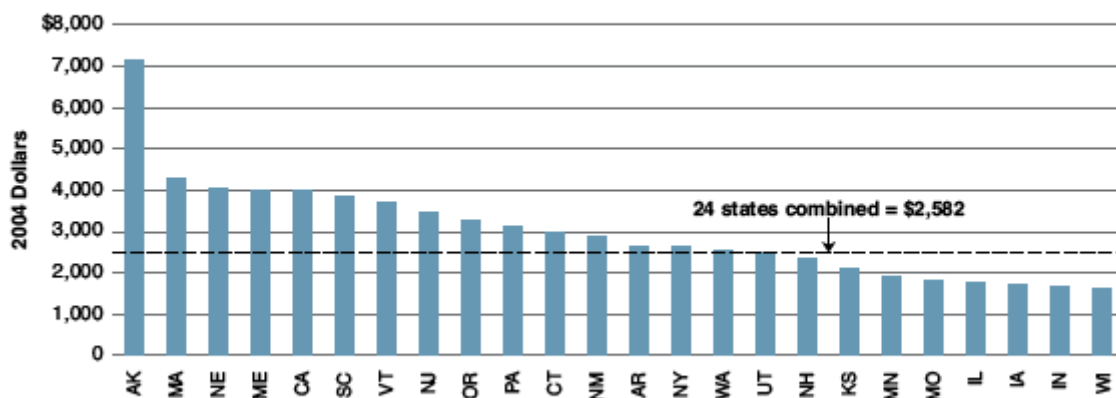
In eight states—Nebraska, New York, Connecticut, New Jersey, Illinois, Maine, Kansas and Vermont—more than 50 percent of participants increased their earnings after they enrolled in the Buy-In program. Some program features in these states may have contributed to this finding. For example, Connecticut has the highest income limit for the Buy-In program among all states, which might have diminished a constraint to increased employment. Nebraska, Maine, and Vermont do not provide a grace period for those who lose work, which may signal that work is a strict condition for participation, thus attracting participants who are more likely to work.

In Missouri and New Mexico, only about 20 percent of participants increased their earnings in the year after enrollment. Certain program features in these two states attract participants who are less likely to increase their earnings in the short-term. For example, the New Mexico Buy-In program waives its work requirement for SSDI beneficiaries during the two-year Medicare eligibility waiting period.⁵ Therefore, an analysis of longer-term earnings outcomes may be needed to assess earnings increases for New Mexico participants. Missouri had the most restrictive asset threshold of any Buy-In program during the study period, which may have limited enrollment to people with few resources and more significant challenges to securing work.

How Much Do Earnings Increase After Enrollment in a Medicaid Buy-In Program?

For those whose earnings rose, the median increase was \$2,582 (Figure 3). This is substantial relative to the average pre-enrollment earnings of \$4,844. Median earnings for participants in most states increased by \$2,000 to \$4,000. Medicaid Buy-In program features are not as clearly linked to the average size of the increase as they are to the percentage of persons with increased earnings. The ranking of states also differs between the two indicators, suggesting that states with more participants who have increased earnings do not necessarily achieve greater increases among those participants.

Figure 3. Median Earnings Increase Among Buy-In Participants Who Enrolled in 2000–03 and Increased Earnings After Enrollment, by State



Source: Buy-In enrollment information from 24 states linked with calendar-year earnings data from SSA's Master Earnings File.

Next Steps

Many Buy-In participants face many barriers to employment, and the Medicaid Buy-In program alone may not be sufficient to foster substantial increases in their employment. Examining how Buy-In participants use other work-related programs may provide further insight into how multiple programs can be coordinated to enhance the employment, earnings and independence of persons with disabilities. In a future issue brief, we will use newly available administrative data on other work incentive programs to examine the dynamics of participation in other work-related programs among Buy-In participants.

ABOUT THE DATA

The data for the analysis come from Social Security administrative data merged to data on Buy-In participants collected by each of the 24 states with a Medicaid Buy-In program between 2000 and 2003. First-time Buy-In participants were identified using individual-level program enrollment records submitted by states to CMS in 2005 (Liu and Ireys 2006). For 92,407 individuals (97 percent of all first-time participants between 2000 and 2003) we linked their program enrollment record with annual earnings data from Social Security Administration's Master Earnings File, which contains data derived from tax reports, but may not include all possible earnings, such as cash income from casual employment or earnings from sheltered workshops.

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¹ That is, half of the participants saw their earnings increase more than \$2,582 and half saw their earnings increase less than \$2,582. Median earnings is used throughout the issue brief because it is less sensitive than mean earnings to extreme values.

² FICA tax covers about 95 percent of all workers in the United States. Some Buy-In participants may have worked in sectors not required to pay a FICA tax, so their earnings were not captured in our data.

³ See definition at <http://www.bls.gov/cpi/>.

⁴ While the SGA level is a monthly earnings amount, we used an annualized amount (\$9,720 in 2004) because only annual earnings data are available to us.

⁵ SSDI beneficiaries are not eligible for Medicare benefits until two years after they are entitled to SSDI benefits.